

BETTENDORF COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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Bettendorf Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2005 Election)</b>		
Barry Anderson	President	2005
Kathy Weigle	Vice President	2007
Jeannine Crockett	Board Member	2005
Paul Castro	Board Member	2006
Tom Luton	Board Member	2006
Steve Mayer	Board Member	2007
Barb Ehrmann	Board Member	2007
<b>Board of Education (After September 2005 Election)</b>		
Barry Anderson	President	2008
Kathy Weigle	Vice President	2007
Paul Castro	Board Member	2006
Tom Luton	Board Member	2006
Steve Mayer	Board Member	2007
Barb Ehrmann	Board Member	2007
Jeannine Crockett	Board Member	2008
<b>School Officials</b>		
Marty Lucas	Superintendent	2006
Dr. Carol Webb	Assistant Superintendent	2006
Maxine McEnany	Director of Financial and Business Services	2006
Colleen Skolrood	Board Secretary	2006
Joe Slavens	Board Treasurer	2006
William Davidson	Attorney	2006
Don Hoskins	Attorney	2006

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
**117 West 3rd Street North, Newton, Iowa 50208-3040**  
**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Bettendorf Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District, Bettendorf, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2006 on our consideration of the Bettendorf Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 36 through 37 are not required

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parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bettendorf Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 12, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Bettendorf Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$32,618,065 in fiscal 2005 to \$33,543,865 in fiscal 2006, while General Fund expenditures increased from \$32,729,905 in fiscal 2005 to \$33,885,399 in fiscal 2006. The District's General Fund balance decreased from \$7,339,364 in fiscal 2005 to a balance of \$6,997,830 in fiscal 2006, a 4.65% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources. The increase in expenditures was due to the increase in negotiated salary and benefits and equipment purchases.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$191,314 in fiscal year 2005 to \$295,039 in fiscal year 2006.
- The District's General Fund solvency ratio was 13.09% at June 30, 2006.
- Our special education deficit for year ended June 30, 2006 was \$244,608. The June 30, 2005 deficit was \$908,202. This represents a decrease of \$663,594 in our deficit. The main reasons for the decrease are an increase in receipts and changes in paraeducator services.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bettendorf Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bettendorf Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bettendorf Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

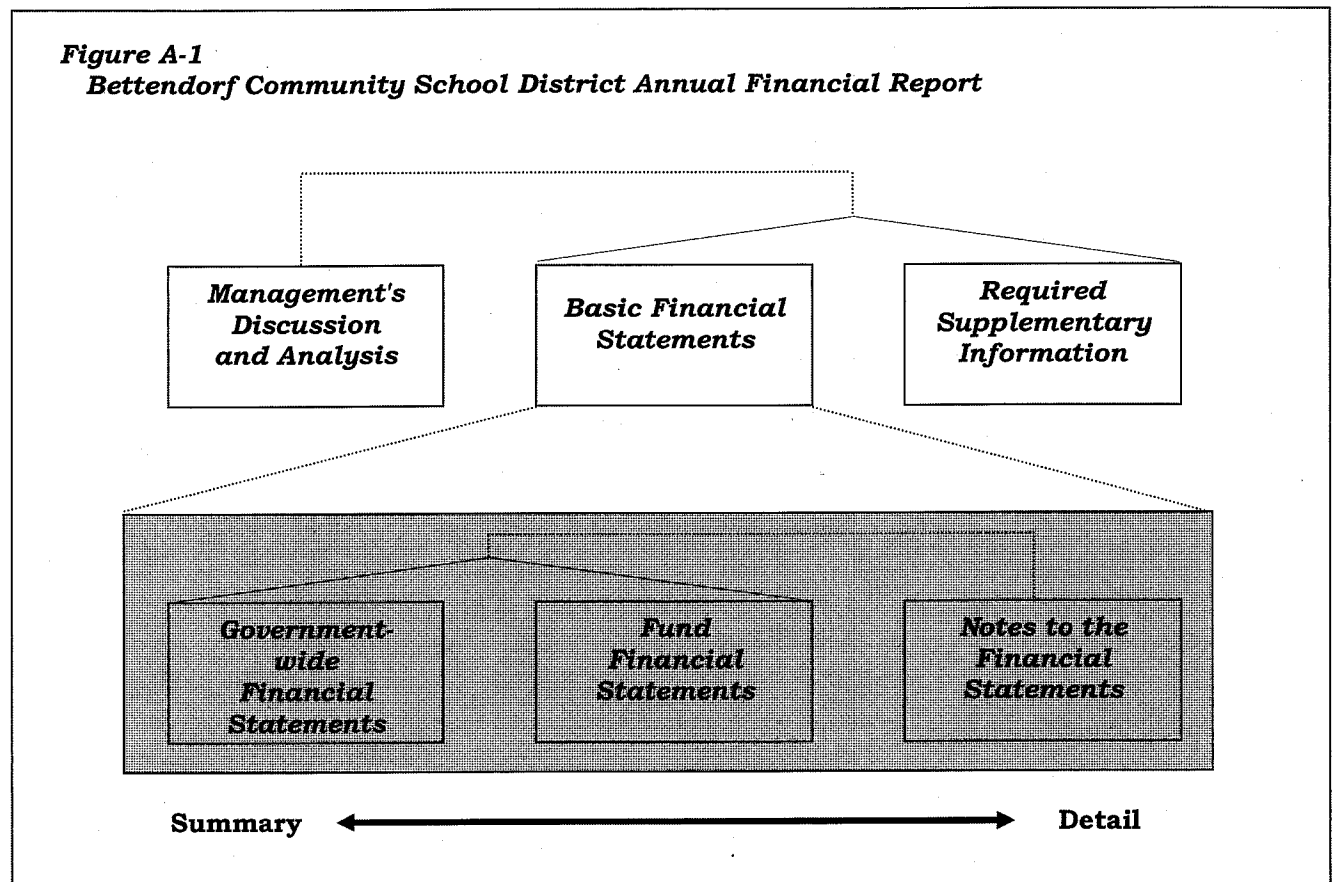


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund account accounting for self-funded insurance.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain outside groups.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 33,709,158	31,594,802	283,562	431,592	33,992,720	32,026,394	6.14%
Capital assets	26,163,337	26,275,801	140,753	158,653	26,304,090	26,434,454	-0.49%
Total assets	59,872,495	57,870,603	424,315	590,245	60,296,810	58,460,848	3.14%
Long-term obligations	5,510,278	6,117,207	0	0	5,510,278	6,117,207	-9.92%
Other liabilities	19,400,250	20,032,068	67,853	83,454	19,468,103	20,115,522	-3.22%
Total liabilities	24,910,528	26,149,275	67,853	83,454	24,978,381	26,232,729	-4.78%
Net assets:							
Invested in capital assets, net of related debt	23,913,490	21,960,325	140,753	158,653	24,054,243	22,118,978	8.75%
Restricted	2,204,229	890,089	0	0	2,204,229	890,089	147.64%
Unrestricted	8,844,248	8,870,914	215,709	348,138	9,059,957	9,219,052	-1.73%
Total net assets	\$ 34,961,967	31,721,328	356,462	506,791	35,318,429	32,228,119	9.59%

The District's combined net assets increased by 9.59%, or \$3,090,310, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,314,140, or 147.64% over the prior year. The increase was primarily a result of an increase in the Special Revenue, Physical Plant and Equipment Levy Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other

legal requirements – decreased \$159,095, or 1.73%. This decrease in unrestricted net assets was a result of the District’s decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 4,259,757	4,109,898	994,430	1,022,340	5,254,187	5,132,238	2.38%
Operating grants and contributions and restricted interest	3,473,113	3,676,498	431,713	438,527	3,904,826	4,115,025	-5.11%
Capital grants and contribuitions and restricted interest	0	150,000	0	0	0	150,000	-100.00%
General revenues:							
Property tax	14,710,145	14,704,493	0	0	14,710,145	14,704,493	0.04%
Local option sales and service tax	3,415,771	3,303,111	0	0	3,415,771	3,303,111	3.41%
Unrestricted state grants	14,175,976	13,478,220	0	0	14,175,976	13,478,220	5.18%
Other	374,928	15,721	2,787	8,292	377,715	24,013	1472.96%
Total revenues	40,409,690	39,437,941	1,428,930	1,469,159	41,838,620	40,907,100	2.28%
Program expenses:							
Governmental activities:							
Instructional	23,321,083	23,669,970	0	0	23,321,083	23,669,970	-1.47%
Support services	10,391,493	10,135,666	0	0	10,391,493	10,135,666	2.52%
Non-instructional programs	0	29,612	1,579,259	1,555,843	1,579,259	1,585,455	-0.39%
Other expenses	3,456,475	3,051,579	0	0	3,456,475	3,051,579	13.27%
Total expenses	37,169,051	36,886,827	1,579,259	1,555,843	38,748,310	38,442,670	0.80%
Changes in net assets	3,240,639	2,551,114	(150,329)	(86,684)	3,090,310	2,464,430	25.40%
Beginning net assets	31,721,328	29,170,214	506,791	593,475	32,228,119	29,763,689	8.28%
Ending net assets	\$ 34,961,967	31,721,328	356,462	506,791	35,318,429	32,228,119	9.59%

In fiscal 2006, property tax and unrestricted state grants account for 71.5% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.8% of the revenue from business type activities.

The District’s total revenues were approximately \$41.84 million of which \$40.41 million was for governmental activities and \$1.43 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 2.28% increase in revenues and a less than 1% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

### Governmental Activities

Revenues for governmental activities were \$40,409,690 and expenses were \$37,169,051.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 23,321,083	16,898,796
Support services	10,391,493	10,300,510
Other expenses	3,456,475	2,236,875
Totals	<u>\$ 37,169,051</u>	<u>29,436,181</u>

- The cost financed by users of the District's programs was \$4,259,757.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,473,113.
- The net cost of governmental activities was financed with \$14,710,145 in property tax, \$3,415,771 in local option sales and services tax, \$14,175,976 in unrestricted state aid and \$374,928 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$1,428,930 and expenses were \$1,579,259. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Bettendorf Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$12,362,443, which is greater than last year's ending fund balances of \$9,915,576. However, the primary reason for the increase in combined fund balances in fiscal 2006 is due to decreased capital improvement expenditures in the Capital Projects and Special Revenue, Physical Plant and Equipment Levy Funds in anticipation of expending those funds in fiscal year 2007 for the Neil Armstrong Elementary school building project.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$7,339,364 to \$6,997,830, due in part to the increase in negotiated salary and benefit expenditures, a decrease in property tax revenue and an increase in tuition expense. The District's tax rate decreased from \$15.47 per \$1,000 valuation in fiscal year 2005 to \$14.69 for fiscal year 2006. This difference of not levying for cash reserve had the greatest impact on our general fund balance.
- The Capital Projects Fund balance increased from \$1,287,419 in fiscal 2005 to \$2,689,577 in fiscal 2006. While revenues remained approximately the same, the District decreased spending for capital projects in anticipation of using that fund revenue in fiscal year 2007 for the Neil Armstrong Elementary building project.
- The Special Revenue, Physical Plant and Equipment Levy fund balance increased from \$281,648 in fiscal 2005 to \$1,403,279. The Board earmarked \$800,000 for the Neil Armstrong building project.

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## **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$506,791 at June 30, 2005 to \$356,462 at June 30, 2006, representing a decrease of 29.66%. The major drop in net assets was due to the decrease in revenues along with an increase in expenses.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Bettendorf Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the repayment of the old general obligation bonds.

The District's revenues were \$316,000 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

The District manages or controls General Fund spending through its line-item budget. The certified budget exceeded in the support services and non-instructional programs functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget. In the future, the District's certified budget should be amended to reflect increases in expenditures.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, the District had invested \$26.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of less than 1% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,437,327.

The original cost of the District's capital assets was \$50.2 million. Governmental funds account for \$49.6 million with the remainder of \$0.6 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,509,128 at June 30, 2005, compared to \$499,030 reported at June 30, 2006. This significant decrease resulted from the completion of prior year's construction in progress.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 1,017,415	1,017,415	0	0	1,017,415	1,017,415	0.00%
Construction in progress	499,030	1,509,128	0	0	499,030	1,509,128	-202.41%
Buildings	23,868,451	23,024,024	0	0	23,868,451	23,024,024	3.54%
Land improvements	35,003	37,920	0	0	35,003	37,920	-8.33%
Machinery and equipment	743,438	687,314	140,753	158,653	884,191	845,967	4.32%
Total	\$ 26,163,337	26,275,801	140,753	158,653	26,304,090	26,434,454	-0.50%

### Long-Term Debt

At June 30, 2006, the District had \$5,510,278 in general obligation and other long-term debt outstanding. This represents a decrease of 9.9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bond indebtedness at June 30, 2006 of \$4,930,000.

The District had total outstanding Compensated Absences payable from the General Fund of \$80,863 at June 30, 2006.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$499,415 at June 30, 2006.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General Obligation Bonds	\$ 4,930,000	5,585,000	-11.7%
Early Retirement	499,415	407,511	22.6%
Compensated Absences	80,863	124,696	-35.2%
Totals	\$ 5,510,278	6,117,207	-9.9%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment for a number of years, the District had a slight increase in enrollment in the fall of 2004 of 24.8 students. However, the district experienced a significant enrollment decline in the fall of 2005 of 89.8 students.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.
- The District's unspent balance increased significantly from \$2,681,816 for fiscal year end 2005 to \$5,590,560 for fiscal year end 2006, due to the School Budget Review Committee approving allowable growth for July and August payrolls.

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- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
  - On September 9, 2003 voters in the District passed a voter-approved physical plant and equipment levy not to exceed \$1.34 per \$1,000 assessed valuation for ten years commencing July 1, 2004. The 2005/2006 \$.33 regular PPEL levy and 1.34 voted PPEL levy generated \$1,763,401 property tax income.
  - The 10-year local option sales tax will expire in 2009. During the 2005 legislative session lawmakers voted to approve a statewide local option tax pool. The statewide average local option tax per pupil is \$575. At the current time the Scott County per pupil amount is \$824. We will continue to receive the taxes generated by our County until our 10-year tax expires. At that time we will receive the statewide average set by the legislature if the tax is renewed.
  - The Board of Education broke ground August 22, 2006 for construction of a new two-section elementary school, replacing Neil Armstrong Elementary School, based on the recommendation of Russell Construction. The location will be on the current Ray Stensvad Administration Center site. The project is budgeted for \$8.8 million dollars and will be funded through the Local Option Sales and Services Tax, the Voter-Approved Physical Plant and Equipment Levy, and the General Fund. Construction is expected to be completed in July, 2007.
  - The district is in the process of developing a 28E agreement to rent space from the City of Bettendorf to share a building space with Scott Community College and Iowa State Extension for district Administrative Offices.
  - The Board of Education has directed that a committee be formed to look at alternatives for renovation of the Middle School Pod area.
  - The District continues to repay 100% of outstanding bonds from the local option sales tax receipts. The Board has determined they will not be issuing any debt, unless they chose to borrow against any future sales tax.
  - Overall usage of electricity increased 10.5% for fiscal year end June 30, 2006. The increase was likely due to all buildings now being air conditioned, the addition of the Fine Arts at the high school and construction at the middle school.
  - All schools, with the exception BMS and BHS decreased their usage of natural gas. The increased cost of natural gas was reflective of the hurricanes that occurred in 2005.
  - The District contracted 50% of the 2006/2007 gas at \$7.50/MMbtu. The 2005/2006 contracted price was \$8.10/MMbtu.
  - The District is self-funded for health insurance. The fund balance has increased since last year. On June 30, 2005, the fund balance was just over \$1.6 million dollars, while on June 30, 2006 it is roughly \$1.9 million.
  - The Board of Education implemented a revised early retirement plan for a three-year period beginning with fiscal year ended June 30, 2005. The plan allows people who are at least 55 years of age and who have been full-time with the District for at least 15 years to retire with a benefit of \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until age 65 or for 10 years, whichever is less, and \$10 per day for unused sick leave to be paid into an HRA. At the November 6, 2006 Board meeting the Board moved that the

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early retirement resolution dated August 16, 2004 be allowed to expire as stated in the resolution in Section I(A) Program Life.

- The District was awarded a three year (2005-2007) Carol M. White Physical Education for Progress Grant. The fiscal impact is:

	U.S. Dept of Education	District Match	Grant Total
Year 1	\$317,988	\$55,375	\$373,363
Year 2	\$201,098	\$87,541	\$288,639
Year 3	\$153,315	\$76,607	\$229,922
Total	<u>\$672,401</u>	<u>\$219,523</u>	<u>\$891,924</u>

- The Board of Education lowered the tax rate from \$15.78 per \$1,000 taxable valuation for the fiscal year ended June 30, 2004 to \$15.47 for the fiscal year ended June 30, 2005. The current year end June 30, 2006 tax rate is \$14.69.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Maxine McEnany, Director of Financial and Business Services, Bettendorf Community School District, c/o Mississippi Bend AEA, 729 21<sup>st</sup> Street, Bettendorf, Iowa, 52722.



## BASIC FINANCIAL STATEMENTS

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 16,823,351	254,061	17,077,412
Receivables:			
Property tax:			
Delinquent	281,219	0	281,219
Succeeding year	15,195,575	0	15,195,575
Interfund	36,667	0	36,667
Accounts	181,341	4,051	185,392
Due from other governments	1,186,981	1,786	1,188,767
Inventories	0	23,664	23,664
Prepaid expenses	4,024	0	4,024
Capital assets, net of accumulated depreciation (Note 5)	26,163,337	140,753	26,304,090
<b>Total Assets</b>	<b>59,872,495</b>	<b>424,315</b>	<b>60,296,810</b>
<b>Liabilities</b>			
Interfund payable	0	36,667	36,667
Accounts payable	539,764	0	539,764
Salaries and benefits payable	3,075,149	4,034	3,079,183
Incurred but not reported claims	497,421	0	497,421
Interest payable	13,968	0	13,968
Deferred revenue:			
Succeeding year property tax	15,195,575	0	15,195,575
Other	78,373	0	78,373
Unearned revenue	0	27,152	27,152
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	765,000	0	765,000
Early retirement payable	78,792	0	78,792
Compensated absences	80,863	0	80,863
Portion due after one year:			
General obligation bonds payable	4,165,000	0	4,165,000
Early retirement payable	420,623	0	420,623
<b>Total Liabilities</b>	<b>24,910,528</b>	<b>67,853</b>	<b>24,978,381</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	23,913,490	140,753	24,054,243
Restricted for:			
Salary improvement program	13,960	0	13,960
Other	19,192	0	19,192
Management levy	414,546	0	414,546
Physical plant and equipment levy	1,403,279	0	1,403,279
Other special revenue purposes	353,252	0	353,252
Unrestricted	8,844,248	215,709	9,059,957
<b>Total Net Assets</b>	<b>\$ 34,961,967</b>	<b>356,462</b>	<b>35,318,429</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 14,859,299	2,139,173	1,990,464	(10,729,662)	0	(10,729,662)
Special instruction	4,557,889	449,355	216,317	(3,892,217)	0	(3,892,217)
Other instruction	3,903,895	1,626,978	0	(2,276,917)	0	(2,276,917)
	<u>23,321,083</u>	<u>4,215,506</u>	<u>2,206,781</u>	<u>(16,898,796)</u>	<u>0</u>	<u>(16,898,796)</u>
Support services:						
Student services	542,775	0	0	(542,775)	0	(542,775)
Instructional staff services	640,192	0	0	(640,192)	0	(640,192)
Administration services	4,861,183	0	0	(4,861,183)	0	(4,861,183)
Operation and maintenance of plant services	3,619,239	0	0	(3,619,239)	0	(3,619,239)
Transportation services	728,104	44,251	46,732	(637,121)	0	(637,121)
	<u>10,391,493</u>	<u>44,251</u>	<u>46,732</u>	<u>(10,300,510)</u>	<u>0</u>	<u>(10,300,510)</u>
Other expenditures:						
Facilities acquisitions	740,203	0	0	(740,203)	0	(740,203)
Long-term debt interest	288,596	0	0	(288,596)	0	(288,596)
AEA flowthrough	1,219,600	0	1,219,600	0	0	0
Depreciation(unallocated)*	1,208,076	0	0	(1,208,076)	0	(1,208,076)
	<u>3,456,475</u>	<u>0</u>	<u>1,219,600</u>	<u>(2,236,875)</u>	<u>0</u>	<u>(2,236,875)</u>
Total governmental activities	<u>37,169,051</u>	<u>4,259,757</u>	<u>3,473,113</u>	<u>(29,436,181)</u>	<u>0</u>	<u>(29,436,181)</u>
Business-Type activities:						
Non-instructional programs:						
Nutrition services	1,579,259	994,430	431,713	0	(153,116)	(153,116)
Total	<u>\$ 38,748,310</u>	<u>5,254,187</u>	<u>3,904,826</u>	<u>(29,436,181)</u>	<u>(153,116)</u>	<u>(29,589,297)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 12,946,744	0	12,946,744
Capital outlay				1,763,401	0	1,763,401
Local option sales and service tax				3,415,771	0	3,415,771
Unrestricted state grants				14,175,976	0	14,175,976
Unrestricted investment earnings				374,928	2,787	377,715
Total general revenues				<u>32,676,820</u>	<u>2,787</u>	<u>32,679,607</u>
Changes in net assets				3,240,639	(150,329)	3,090,310
Net assets beginning of year				31,721,328	506,791	32,228,119
Net assets end of year				<u>\$ 34,961,967</u>	<u>356,462</u>	<u>35,318,429</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments	\$ 9,346,098	2,432,063	4,544	2,680,492	14,463,197
Receivables:					
Property tax					
Delinquent	230,934	0	0	50,285	281,219
Succeeding year	12,784,988	0	0	2,410,587	15,195,575
Interfund	40,452	0	0	0	40,452
Accounts	79,593	0	0	3,298	82,891
Due from other governments	916,922	270,059	0	0	1,186,981
Prepaid expenses	4,024	0	0	0	4,024
<b>Total Assets</b>	<b>\$ 23,403,011</b>	<b>2,702,122</b>	<b>4,544</b>	<b>5,144,662</b>	<b>31,254,339</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Interfund payable	\$ 0	0	0	3,785	3,785
Accounts payable	466,671	12,545	0	59,798	539,014
Salaries and benefits payable	3,075,149	0	0	0	3,075,149
Deferred revenue:					
Succeeding year property tax	12,784,988	0	0	2,410,587	15,195,575
Other	78,373	0	0	0	78,373
Total liabilities	16,405,181	12,545	0	2,474,170	18,891,896
Fund balances:					
Reserved for:					
Debt service	0	0	4,544	0	4,544
Salary improvement program	13,960	0	0	0	13,960
Other	19,192	0	0	0	19,192
Unreserved:					
Designated:					
Special purposes by the board	575,000	0	0	0	575,000
Cash flow	2,000,000	0	0	0	2,000,000
Undesignated	4,389,678	2,689,577	0	2,670,492	9,749,747
Total fund balances	6,997,830	2,689,577	4,544	2,670,492	12,362,443
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,403,011</b>	<b>2,702,122</b>	<b>4,544</b>	<b>5,144,662</b>	<b>31,254,339</b>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

<b>Total fund balances of governmental funds (page 17)</b>	\$ 12,362,443
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	26,163,337
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	1,960,433
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,968)
Long-term liabilities, including bonds payable, early retirement payable, and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(5,510,278)
<b>Net assets of governmental activites (page 15)</b>	<u><u>\$ 34,961,967</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 12,089,075	3,415,771	0	2,621,070	18,125,916
Tuition	2,588,528	0	0	0	2,588,528
Other	1,092,225	62,140	0	765,083	1,919,448
Intermediate sources	126,709	0	0	0	126,709
State sources	16,634,258	0	0	1,761	16,636,019
Federal sources	1,013,070	0	0	0	1,013,070
Total revenues	33,543,865	3,477,911	0	3,387,914	40,409,690
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	15,005,687	0	0	67,194	15,072,881
Special instruction	4,572,032	0	0	0	4,572,032
Other instruction	3,160,819	0	0	730,487	3,891,306
	22,738,538	0	0	797,681	23,536,219
Support services:					
Student services	496,892	0	0	15,777	512,669
Instructional staff services	623,682	0	0	5,400	629,082
Administration services	4,749,517	0	0	277,039	5,026,556
Operation and maintenance of plant services	3,461,328	0	0	206,740	3,668,068
Transportation services	595,842	0	0	41,554	637,396
	9,927,261	0	0	546,510	10,473,771
Non-instructional programs	0	0	0	1,319	1,319
Other expenditures:					
Facilities acquisitions	0	1,123,686	0	656,005	1,779,691
Long-term debt:					
Principal	0	0	790,000	0	790,000
Interest and fiscal charges	0	0	297,223	0	297,223
AEA flowthrough	1,219,600	0	0	0	1,219,600
	1,219,600	1,123,686	1,087,223	656,005	4,086,514
Total expenditures	33,885,399	1,123,686	1,087,223	2,001,515	38,097,823
Excess(deficiency) of revenues over(under) expenditures	(341,534)	2,354,225	(1,087,223)	1,386,399	2,311,867
Other financing sources(uses):					
Transfers in	0	0	952,067	0	952,067
Transfers out	0	(952,067)	0	0	(952,067)
Refunding debt issued	0	0	5,720,000	0	5,720,000
Payment to refunding escrow agent	0	0	(5,585,000)	0	(5,585,000)
Total other financing sources(uses)	0	(952,067)	1,087,067	0	135,000
Net change in fund balances	(341,534)	1,402,158	(156)	1,386,399	2,446,867
Fund balances beginning of year	7,339,364	1,287,419	4,700	1,284,093	9,915,576
Fund balances end of year	\$ 6,997,830	2,689,577	4,544	2,670,492	12,362,443

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 19) \$ 2,446,867

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,300,394	
Depreciation expense	<u>(1,412,858)</u>	(112,464)

Proceeds of long-term debt liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Issued	\$ (5,720,000)	
Repaid	<u>6,375,000</u>	655,000

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 290,680

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 8,627

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ (91,904)	
Compensated absences	<u>43,833</u>	(48,071)

Changes in net assets of governmental activities (page 16) \$ 3,240,639

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Current assets:		
Cash and pooled investments	\$ 254,061	2,360,154
Accounts receivable	4,051	98,450
Due from other governments	1,786	0
Inventories	23,664	0
Total current assets	283,562	2,458,604
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	140,753	0
Total non-current assets	140,753	0
TOTAL ASSETS	424,315	2,458,604
LIABILITIES		
Current liabilities:		
Interfund payable	36,667	0
Salaries and benefits payable	4,034	0
Accounts payable	0	750
Incurred but not reported claims	0	497,421
Unearned revenue	27,152	0
TOTAL LIABILITIES	67,853	498,171
NET ASSETS		
Investment in capital assets	140,753	0
Unrestricted	215,709	1,960,433
TOTAL NET ASSETS	\$ 356,462	1,960,433

SEE NOTES TO FINANCIAL STATEMENTS.



BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 994,430	3,681,064
TOTAL OPERATING REVENUES	994,430	3,681,064
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	494,567	0
Benefits	125,999	3,445,500
Services	76,908	25,304
Supplies	857,301	0
Depreciation	24,469	0
Other	15	0
TOTAL OPERATING EXPENSES	1,579,259	3,470,804
OPERATING INCOME (LOSS)	(584,829)	210,260
NON-OPERATING REVENUES:		
State sources	16,738	0
Federal sources	414,975	0
Interest income	2,787	80,420
TOTAL NON-OPERATING REVENUES	434,500	80,420
Changes in net assets	(150,329)	290,680
Net assets beginning of year	506,791	1,669,753
Net assets end of year	\$ 356,462	1,960,433

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 986,087	0
Cash received from miscellaneous operating activities	6,391	3,663,303
Cash payments to employees for services	(617,022)	0
Cash payments to suppliers for goods or services	(879,481)	(3,471,564)
Net cash provided by(used in) operating activities	(504,025)	191,739
Cash flows from non-capital financing activities:		
State grants received	16,738	0
Federal grants received	369,314	0
Repayment of interfund loan from the General Fund	(12,991)	0
Net cash provided by non-capital financing activities	373,061	0
Cash flows from capital activities:		
Acquisition of assets	(6,569)	0
Net cash used in capital activities	(6,569)	0
Cash flows from investing activities:		
Interest on investment	2,787	80,420
Net cash provided by investing activities	2,787	80,420
Net increase(decrease) in cash and cash equivalents	(134,746)	272,159
Cash and cash equivalents at beginning of year	388,807	2,087,995
Cash and cash equivalents at end of year	\$ 254,061	2,360,154
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (584,829)	210,260
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	45,661	0
Depreciation	24,469	0
Decrease in inventories	9,082	0
(Increase) decrease in accounts receivable	4,734	(17,761)
Increase in due from other governments	(532)	0
Decrease in incurred but not reported claims	0	(1,510)
Increase in accounts payable	0	750
Increase in salaries and benefits payable	3,544	0
Decrease in unearned revenues	(6,154)	0
Net cash used in operating activities	\$ (504,025)	191,739
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	\$ 254,061	2,360,154

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$45,661.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Agency Fund</u>
ASSETS	
Cash and pooled investments	<u>\$          28,179</u>
LIABILITIES	
Due to other groups	<u>\$          28,179</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

**(1) Summary of Significant Accounting Policies**

Bettendorf Community School District is a political subdivision of the State of Iowa and provides elementary and secondary education to the citizens within the District. The District encompasses an area within the County of Scott, including the City of Bettendorf. Within the District are eight schools, including six elementary schools for kindergarten to grade five, one middle school for grades six, seven and eight and one high school for grades nine to twelve. Oversight responsibility for the District's operations is vested in a seven-member Board of Education which is elected by the public on a non-partisan basis. Management of the District is appointed by and is accountable to the Board of Education.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Bettendorf Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bettendorf Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Scott County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School

Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Assets	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.



Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the non-instructional program area exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 2,675,164</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Due From and Due to Other Funds**

The detail of interfund receivable and payable balances for the year ended June 30, 2006 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue, Student Activity	\$ 3,785
General	Enterprise, School Nutrition	<u>36,667</u>
Total		<u>\$ 40,452</u>

The Special Revenue, Student Activity Fund is repaying the General Fund for fees paid during the school year. The balance will be repaid by June 30, 2007.

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid during the 2005-06 school year. The balance will be repaid by June 30, 2007.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 952,067</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,017,415	0	0	1,017,415
Construction in progress	1,509,128	1,039,488	2,049,586	499,030
Total capital assets not being depreciated	<u>2,526,543</u>	<u>1,039,488</u>	<u>2,049,586</u>	<u>1,516,445</u>
Capital assets being depreciated:				
Buildings	40,775,699	2,049,586	0	42,825,285
Land improvements	150,938	0	0	150,938
Machinery and equipment	4,819,434	260,906	0	5,080,340
Total capital assets being depreciated	<u>45,746,071</u>	<u>2,310,492</u>	<u>0</u>	<u>48,056,563</u>
Less accumulated depreciation for:				
Buildings	17,751,675	1,205,159	0	18,956,834
Land improvements	113,018	2,917	0	115,935
Machinery and equipment	4,132,120	204,782	0	4,336,902
Total accumulated depreciation	<u>21,996,813</u>	<u>1,412,858</u>	<u>0</u>	<u>23,409,671</u>
Total capital assets being depreciated, net	<u>23,749,258</u>	<u>897,634</u>	<u>0</u>	<u>24,646,892</u>
Governmental activities capital assets, net	<u>\$ 26,275,801</u>	<u>1,937,122</u>	<u>2,049,586</u>	<u>26,163,337</u>
Business-type activities:				
Machinery and equipment	\$ 574,806	6,569	0	581,375
Less accumulated depreciation	416,153	24,469	0	440,622
Business-type activities capital assets, net	<u>\$ 158,653</u>	<u>(17,900)</u>	<u>0</u>	<u>140,753</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 43,565
Other	12,808
Support services:	
Administration	28,557
Operation and maintenance	20,074
Transportation	99,778
	<u>204,782</u>
Unallocated depreciation	<u>1,208,076</u>
Total governmental activities depreciation expense	<u>\$ 1,412,858</u>
Business-type activities:	
Food services	<u>\$ 24,469</u>

#### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 5,585,000	5,720,000	6,375,000	4,930,000	765,000
Early Retirement	407,511	260,384	168,480	499,415	78,792
Compensated Absences	124,696	80,863	124,696	80,863	80,863
Total	<u>\$ 6,117,207</u>	<u>6,061,247</u>	<u>6,668,176</u>	<u>5,510,278</u>	<u>924,655</u>

#### Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of August 1, 2005		
	Interest Rates	Principal	Interest
2007	3.40%	\$ 765,000	167,620
2008	3.40	785,000	141,610
2009	3.40	815,000	114,920
2010	3.40	840,000	87,210
2011	3.40	860,000	58,650
2012	3.40	865,000	29,410
Total		<u>\$ 4,930,000</u>	<u>599,420</u>

#### Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The benefits will be \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until age 65 or for 10 years, whichever is less, and \$10 per day for unused sick leave to be paid into an HRA. A liability has been recorded in the Statement of Net

Assets for government-wide activities for these early retirement benefits. Early retirement benefits paid during the year ended June 30, 2006, totaled \$168,480.

**(7) Bond Defeasement**

On August 1, 2005, the District issued \$5,720,000 in general obligation bonds to advance refund \$2,725,000 and \$2,860,000 of outstanding general obligation bonds dated May 1, 1997 and January 1, 1998, respectively. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified sufficient to pay all principal and interest on the refunded bonds. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2006 \$4,930,000 of such bonds is outstanding. Defeasement of principal and interest for the year was \$790,000 and \$162,067. The present value savings of this bond refunding is \$210,271.

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$1,203,973, \$1,189,429 and \$1,028,320 respectively, equal to the required contributions for each year.

**(9) Risk Management**

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was a \$1,960,433 at June 30, 2006. The incurred but not recorded and unpaid claims liability of \$497,421 reported in the plan at June 30, 2006 based on the requirements of GASB Statement Number 10, is set up as a liability on the statement of net assets.

In addition, the District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural

disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,219,600 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the non-instructional program area exceeded the amount budgeted.

**(12) Construction Commitments**

The District entered into various contracts totaling \$6,548,899 for a renovation at Thomas Edison, additions to the middle school for a new fitness center and technology lab, a boiler replacement at the middle school and a new Neil Armstrong building. At June 30, 2006, \$499,030 of the contracts was completed. The remaining amounts of the contracts will be paid as work on the project progresses.

REQUIRED SUPPLEMENTAL INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND ENTERPRISE FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 22,633,892	997,217	23,631,109	23,884,767	23,884,767	(253,658)
Intermediate sources	126,709	0	126,709	8,600	8,600	118,109
State sources	16,636,019	16,738	16,652,757	16,641,253	16,641,253	11,504
Federal sources	1,013,070	414,975	1,428,045	1,620,000	1,620,000	(191,955)
Total revenues	40,409,690	1,428,930	41,838,620	42,154,620	42,154,620	(316,000)
Expenditures:						
Instruction	23,536,219	0	23,536,219	24,586,391	24,586,391	1,050,172
Support services	10,473,771	0	10,473,771	11,171,500	11,171,500	697,729
Non-instructional programs	1,319	1,579,259	1,580,578	1,500,000	1,500,000	(80,578)
Other expenditures	4,086,514	0	4,086,514	4,042,095	10,704,423	6,617,909
Total expenditures	38,097,823	1,579,259	39,677,082	41,299,986	47,962,314	8,285,232
Excess(deficiency) of revenues over(under) expenditures	2,311,867	(150,329)	2,161,538	854,634	(5,807,694)	7,969,232
Other financing sources, net	135,000	0	135,000	3,000	3,000	132,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures	2,446,867	(150,329)	2,296,538	857,634	(5,804,694)	8,101,232
Balance beginning of year	9,915,576	506,791	10,422,367	9,218,798	9,218,798	1,203,569
Balance end of year	\$ 12,362,443	356,462	12,718,905	10,076,432	3,414,104	9,304,801

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



BETTENDORF COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$6,662,328.

During the year ended June 30, 2006, expenditures in the non-instructional program area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 911,959	361,258	1,407,275	2,680,492
Receivables:				
Property tax				
Current year delinquent	16,386	0	33,899	50,285
Succeeding year	623,439	0	1,787,148	2,410,587
Accounts	0	3,298	0	3,298
<b>Total Assets</b>	<b>\$ 1,551,784</b>	<b>364,556</b>	<b>3,228,322</b>	<b>5,144,662</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 0	3,785	0	3,785
Accounts payable	14,384	7,519	37,895	59,798
Deferred revenue:				
Succeeding year property tax	623,439	0	1,787,148	2,410,587
Total liabilities	637,823	11,304	1,825,043	2,474,170
Unreserved fund balances	913,961	353,252	1,403,279	2,670,492
<b>Total liabilities and Fund Balances</b>	<b>\$ 1,551,784</b>	<b>364,556</b>	<b>3,228,322</b>	<b>5,144,662</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 857,669	0	1,763,401	2,621,070
Other	29,572	705,973	29,538	765,083
State sources	598	0	1,163	1,761
TOTAL REVENUES	887,839	705,973	1,794,102	3,387,914
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	67,194	0	0	67,194
Other instruction	15,945	714,542	0	730,487
	83,139	714,542	0	797,681
Support services:				
Student services	15,777	0	0	15,777
Instructional staff services	5,400	0	0	5,400
Administration services	277,039	0	0	277,039
Operation and maintenance of plant services	190,274	0	16,466	206,740
Transportation services	41,554	0	0	41,554
	530,044	0	16,466	546,510
Non-instructional	1,319	0	0	1,319
Other expenditures:				
Facilities acquisitions	0	0	656,005	656,005
TOTAL EXPENDITURES	614,502	714,542	672,471	2,001,515
Net change in fund balances	273,337	(8,569)	1,121,631	1,386,399
Fund balance beginning of year	640,624	361,821	281,648	1,284,093
Fund balance end of year	\$ 913,961	353,252	1,403,279	2,670,492

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Vocal Music 1	\$ 3,871	2,621	6,561	(69)
Vocal Music 2	3,641	2,876	6,051	466
Instrumental Music	4,404	4,740	3,478	5,666
Orchestra	701	8,841	8,492	1,050
Co-Ed Athletics	1,309	7,497	1,310	7,496
BMS Cheerleading	2,586	510	2,824	272
Fundraiser	10	0	0	10
Bookstore	1,866	17	838	1,045
Pop Fund	(433)	0	(433)	0
Health Club	566	9	296	279
Interest	314	0	314	0
Arts Education	4	0	4	0
Yearbk/Photo Club	861	8,685	9,399	147
Reading Club	147	136	200	83
Library Club	1,275	1,328	150	2,453
Foreign Lang Club	564	14	(1)	579
Spec Ed Activities	70	1	0	71
Student Council	9,824	4,787	3,834	10,777
Computer Club	1	0	0	1
Living Skills Club	1,111	21	404	728
School Paper	56	7,702	8,833	(1,075)
Sail/Tag Fundraiser	1,346	22	611	757
Art Club	154	3	75	82
German Club	14	0	0	14
Ceramics Club	392	8	341	59
N.A. Fundraiser	671	16	(2)	689
N.A. Bookstore	2,940	71	(8)	3,019
N.A. Shooting Stars	317	390	379	328
Hoover Fundraiser	586	14	(2)	602
Hoover Bookstore	6,924	892	736	7,080
Hoover Pop Fund	3,519	1,102	679	3,942
Jefferson Fundraiser	14	0	0	14
Jefferson Bookstore	4,773	1,129	4,848	1,054
P.N. Bookstore	2,644	64	(7)	2,715
P.N. Pop Fund	818	4	872	(50)
M.T. Fundraiser	118	3	0	121
M.T. Bookstore	9,002	1,940	5,866	5,076
M.T. Bookstore - BD	417	6	251	172
G.W. Fundraiser	2,603	3,170	3,435	2,338
G.W. Bookstore	4,088	1,153	2,983	2,258
G.W. Pop Fund	2,878	660	586	2,952
House-4	647	6	392	261
6-House I	445	9	176	278
6-House II	1,275	727	792	1,210
6-House III	651	14	189	476

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
7-House I	252	1,401	1,637	16
7-House II	383	1,976	1,962	397
7-House III	511	2,062	2,033	540
8-House I	156	9,781	9,869	68
8-House II	1,462	4,042	4,985	519
8-House III	(670)	3,968	2,362	936
School Fundraising	6,150	22,144	15,720	12,574
Student Needs	1,806	893	50	2,649
BWCA	3,508	16,337	16,171	3,674
Elem Outdoor Educ	6,235	8,865	14,143	957
BMS Outdoor Educ	1,770	22,793	23,840	723
BHS Outdoor Educ	(133)	496	212	151
Mis Outdoor Educ	663	9	411	261
IAMLE Conference	(286)	286	0	0
OD Ed Arts In Educ	1,658	1	1,758	(99)
Drama	14,304	14,022	16,440	11,886
Debate	918	5,703	7,720	(1,099)
Mock Trial	80	1	0	81
Vocal Music	11,920	77,866	80,122	9,664
Instrumental Music	(6,211)	21,666	14,058	1,397
Musical	500	7,902	487	7,915
Co-Ed Athletics	147,446	138,352	130,868	154,930
Boys Basketball	0	20,139	20,139	0
Football	0	48,671	48,723	(52)
Boys Soccer	(669)	2,501	1,832	0
Baseball	(348)	3,481	3,603	(470)
Boys Track	(216)	1,599	1,383	0
Boys Cross Country	0	50	50	0
Boys Tennis	127	163	290	0
Boys Golf	0	327	327	0
Boys Swimming	0	2,281	2,281	0
Wrestling	0	10,383	10,383	0
Girls Basketball	0	9,119	9,119	0
Volleyball	(825)	7,688	6,863	0
Girls Soccer	0	3,141	3,141	0
Softball	(59)	2,616	3,085	(528)
Girls Track	(238)	2,315	2,077	0
Girls Cross Country	0	200	200	0
Girls Tennis	0	10	10	0
Girls Golf	264	260	1,065	(541)
Girls Swimming	0	1,239	1,239	0
Bookstore	57	1	0	58
Interest	444	0	444	0
Close Up	88	142	117	113
Amicus	3,152	26	626	2,552
Activity Tickets	14,663	56,017	70,133	547
Step Team	0	978	539	439

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Science Club	81	388	398	71
Scholastic Bowl	447	3	526	(76)
Yearbk-Beacon	332	21,908	15,058	7,182
Student Council	13,987	25,875	26,826	13,036
SADD	839	9	(116)	964
Cheerleaders	2,662	6,864	8,193	1,333
Japanese Club	2,239	18	1,263	994
Growl Newspaper	10,162	1,487	367	11,282
SAVE	2,293	1,100	1,102	2,291
HIV Peer Educ	560	588	411	737
Spanish Club	2,571	4,429	2,463	4,537
Nat Honor Soc	(19)	2	(39)	22
Outdoor Club	43	3	(165)	211
German Club	7,480	12,401	12,258	7,623
Latin Club	6,105	53	(10)	6,168
French Club	2,671	630	2,713	588
Prof Business	1,079	11	312	778
Goldusters	955	12,929	10,199	3,685
Art Club	902	670	509	1,063
Key Club	347	5	(155)	507
Club Vennding	6,386	7,082	7,360	6,108
Pr Club Vending	1,879	6,296	5,325	2,850
Pr Student Needs	583	728	1,221	90
Class of 2004	39	0	39	0
Class of 2005	2,698	10	2,702	6
Class of 2006	3,459	5,120	5,941	2,638
Class of 2007	1,840	1,063	(87)	2,990
Class of 2008	355	677	1,534	(502)
Class of 2009	0	523	131	392
Total	\$ 361,821	705,973	714,542	353,252

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 15,046	15,821	2,688	28,179
LIABILITIES				
Due to other groups	\$ 15,046	15,821	2,688	28,179

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



BETTENDORF COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 18,125,916	18,007,604	16,823,954	16,698,423
Tuition	2,588,528	2,399,022	2,046,563	2,649,352
Other	1,919,448	2,192,358	3,038,648	2,444,698
Intermediate sources	126,709	119,308	2,902	51,336
State sources	16,636,019	15,642,365	15,280,414	15,667,950
Federal sources	1,013,070	1,276,650	746,060	755,032
Total	<u>\$ 40,409,690</u>	<u>39,637,307</u>	<u>37,938,541</u>	<u>38,266,791</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 15,072,881	14,724,134	14,274,129	15,251,343
Special instruction	4,572,032	4,734,324	5,716,290	5,108,065
Other instruction	3,891,306	3,839,779	2,125,947	2,317,323
Support services:				
Student services	512,669	675,195	779,098	838,990
Instructional staff services	629,082	583,015	1,505,432	978,952
Administration services	5,026,556	4,704,480	3,501,533	3,337,133
Operation and maintenance of plant services	3,668,068	3,341,979	3,108,767	2,873,097
Transportation services	637,396	676,443	626,091	533,593
Central support services	0	0	170,495	432,209
Non-instructional programs	1,319	5,212	6,748	131,887
Other expenditures:				
Facilities acquisitions	1,779,691	4,755,728	3,767,811	4,102,135
Long-term debt:				
Principal	790,000	655,000	625,000	595,000
Interest and other charges	297,223	309,704	332,945	361,220
AEA flow-through	1,219,600	1,148,422	1,136,605	1,211,815
Total	<u>\$ 38,097,823</u>	<u>40,153,415</u>	<u>37,676,891</u>	<u>38,072,762</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)	84.215	FY 06	\$ 155,836
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION (non-cash)	10.550	FY 06	45,661
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	59,469
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	309,540
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 06	305
			<u>369,314</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	0621-G	265,280
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	0621-GC	15,448
			<u>280,728</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 06	14,656
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 06	11,175
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 06	4,268
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 05	2,616
			<u>6,884</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 06	111,896
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 06	25,896
ELEMENTARY AND SECONDARY EDUCATION HURRICANE RELIEF PROGRAMS	84.938	FY 06	18,000

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
MISSISSIPPI BEND AREA EDUCATION AGENCY: SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 06	<u>216,317</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 06	<u>5,244</u>
DEPARTMENT OF JUSTICE: SCOTT COUNTY: JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	16.523	FY 06	73,273
JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	16.523	FY 05	<u>3,440</u>
			<u>76,713</u>
TOTAL			<u>\$ 1,338,320</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Bettendorf Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Bettendorf Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bettendorf Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 12, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bettendorf Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

### Compliance and Other Matters

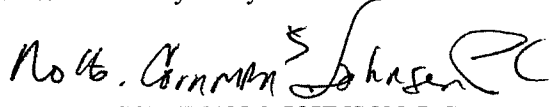
As part of obtaining reasonable assurance about whether Bettendorf Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Bettendorf Community School District and other parties to whom Bettendorf Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bettendorf Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 12, 2006

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Bettendorf Community School District:

#### Compliance

We have audited the compliance of Bettendorf Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Bettendorf Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Bettendorf Community School District's management. Our responsibility is to express an opinion on Bettendorf Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bettendorf Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bettendorf Community School District's compliance with those requirements.

In our opinion, Bettendorf Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of Bettendorf Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Bettendorf Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bettendorf Community School District and other parties to whom Bettendorf Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 12, 2006

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - Clustered Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.556 - Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bettendorf Community School District qualified as a low-risk auditee.



BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity Fund the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We have implemented procedures and we are monitoring the situation expecting to bring recommendations for changes to the Board in the near future.

Conclusion - Response accepted.

II-B-06 Checks Outstanding - We noted during our audit that the District had checks included in the Nutrition Fund bank reconciliations which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property when the time is necessary.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-C-06 Petty Cash - We noted during our audit that the petty cash in the Activity Fund is never replenished. It was also noted that the General and Activity Fund petty cash had numerous payments to vendors, in which some were paid sales tax, and reimbursements were in excess of the amount in the account.

Recommendation - The payments to vendors should be run through accounts payable instead of petty cash. The District should review their petty cash procedures in place and make necessary changes.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-D-06 Purchase Orders - We noted during our audit that the District has a purchase order system, however it appears that the Activity Fund doesn't use pre-numbered purchase orders and the Nutrition Fund doesn't use purchase orders. There was also an instance in the Student Activity Fund where a purchase order was submitted after the services had already been performed. We also noted instances in the General Fund,

mostly in the operation and transportation functions, that purchase orders were submitted after the work had already been completed or the product already received.

Recommendation - The purchase order system allows for the District to monitor expenses which have already been obligated and therefore providing information as to what is yet available. By approving purchase orders after ordering is completed, the District is more likely to exceed budgeted amounts. The District should review procedures in place and make necessary changes to ensure purchase orders are completed prior to purchasing.

Response - We are working on this recommendation and will continue to use purchase orders for everything that we can.

Conclusion - Response accepted.

II-E-06 Supporting Documentation - We noted during our audit, instances of no supporting documentation to go with the cancelled check stubs and purchase orders. These include one in the General Fund for non-public transportation and the other in the Student Activity Fund for a reimbursement to a PTA.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring support document other than an invoice.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No reportable conditions were reported.

BETTENDORF COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the non-instructional program area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

IV-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.